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MEMORANDUM

Arizona Corporation Commission

DOCKETED

MAR 15 2011

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TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: March 15, 2011

RE: STAFF REPORT FOR SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.'S APPLICATION FOR APPROVAL OF ITS 2011 REST
PLAN AND TARIFF (DOCKET NO. E-01575A-10-0308)

Attached is the Staff Report for Sulphur Springs Valley Electric Cooperative, Inc.'s application for approval of its 2011 REST Plan and Tariff. Staff recommends that the application be approved, subject to Staff recommendations. Staff does not believe an evidentiary hearing is necessary.

An Intervenor in this Docket has filed a motion for a Formal Evidentiary Hearing on this matter. Therefore, a draft Recommended Opinion and Order reflecting the findings of this Memo is attached (Attachment A) for the consideration and convenience of the Administrative Law Judge.

All interested parties in this case should file their comments with Docket Control, no later than March 31, 2011.

SMO:RBL:lmh\WVC

Originator: Rick Lloyd

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Docket No. E-01575A-10-0308

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**STAFF REPORT
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ARIZONA CORPORATION COMMISSION**

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

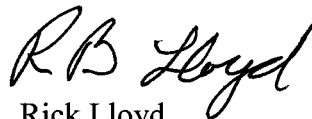
DOCKET NO. E-01575A-10-0308

APPLICATION FOR APPROVAL OF ITS 2011 REST PLAN AND TARIFF

MARCH 15, 2011

STAFF ACKNOWLEDGMENT

The Staff Report for Sulphur Springs Valley Electric Cooperative, Inc.'s 2011 REST Plan and Tariff (Docket No. E-01575A-10-0308) was the responsibility of the Staff member listed below.

A handwritten signature in black ink, appearing to read "RB Lloyd". The letters are cursive and fluid.

Rick Lloyd
Electricity Specialist

EXECUTIVE SUMMARY

Sulphur Springs Valley Electric Cooperative, Inc.'s Application for Approval of Its 2011 REST Plan and Tariff

On July 23, 2010, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "the Cooperative") filed an application with the Arizona Corporation Commission ("Commission") seeking approval of its 2011 Renewable Energy Standard and Tariff ("REST") Implementation Plan ("Application").

SSVEC is proposing several substantive changes to the characteristics of SSVEC's REST programs. SSVEC has provided one Submitted Option and four Alternative REST Funding options and corresponding budgets. SSVEC also submitted a fifth Alternative budget option designed with the goal of compliance with the 2011 REST requirement of 3 percent renewables as required of investor-owned utilities. The Submitted Option increases the REST funding surcharge from the current \$0.007937 per kWh to \$0.00988 per kWh, a 24.5 percent increase, while keeping the residential cap at its current level (i.e. \$3.49 / month). Alternatives #1 through #4 test various combinations of increased surcharges or monthly residential caps. Alternative #5 is presented in response to Decision No. 71458 that required SSVEC to present a REST funding option that would bring the Cooperative's REST goals into alignment with those mandated of investor owned utilities (i.e. 3 percent in 2011).

Staff recommends that the Commission approve the higher annual budget proposed in Alternate Funding Option #4 as submitted by SSVEC in its application. This Option will be referred to as "Staff's Recommended Option". Under Staff's Recommended Option, SSVEC's 2011 REST Plan budget would be increased to \$4.3 million, the funding surcharge would be raised to \$0.00988 per kWh, and monthly caps would be raised with the residential cap increased from \$3.49 to \$5.66. Staff believes this funding option will allow a quicker pay-down of SSVEC's rebate backlog while limiting the impact to low usage customers.

SSVEC is proposing across-the-board reductions in renewable energy system incentives. The One Time Incentive for residential photovoltaic ("PV") systems will be reduced from \$3.00 to \$2.00 per kW, and the incentive cap would be reduced from 50 percent to 40 percent of total system cost. Residential Production Based Incentives ("PBI") would be reduced by approximately 2 cents per kWh, and incentive caps would be reduced from 60 percent to 50 percent of total system costs. Similar reductions are proposed for commercial PV systems and wind energy systems.

SSVEC reports that it has received a Clean Renewable Energy Bond ("CREB") bond allotment sufficient to install an approximate 750kW - 1 MW photovoltaic solar power plant at the proposed Sonoita substation. Construction of this solar power plant is anticipated in mid- to late-2011, with completion required under terms of the CREB bonds by October 2012. SSVEC has filed an application for approval by the Commission of this funding, along with other construction related debt, under Docket No. E-01575A-10-0311.

SSVEC is proposing a method of calculating the 125 percent capacity of a customer's system as a basis for determining eligibility for incentive payments. The proposed method would apply to residential systems over 10 kW and all commercial and industrial systems. SSVEC's proposed method of calculation for PV solar systems utilizes the highest 12-month customer kWh consumption data for the past 3 years, then divides that amount by 2000 (assumes 5.5 hours of solar production per day) to determine the customer's "net-zero" quantity. This figure would then be multiplied by 125 percent to obtain the 125 percent sizing factor. A 30 percent production factor would be used for wind systems. SSVEC is requesting this modification in the belief that it will allow customers a more accurate means to calculate the optimum solar power system size to produce a "net zero" electric consumption pattern.

An Intervenor in this Docket has filed a motion for a Formal Evidentiary Hearing. Therefore, a draft Recommended Opinion and Order reflecting the findings of this Staff Report is attached for the consideration and convenience of the Administrative Law Judge.

Staff Recommendations

Staff recommends approval of SSVEC's 2011 REST Implementation Plan utilizing Staff's Recommended Option.

Staff further recommends approval of the One Time Incentives and Production Based Incentives as presented in the Plan, except that SSVEC should not be allowed to differentiate between leased and owned systems as the basis for determining eligible incentives.

Staff further recommends that a 125 percent size limit be used for eligibility for incentives, but that the methodology used to calculate the 125 percent capacity for net metering eligibility be used for incentive eligibility.

Staff further recommends that SSVEC be allowed to make incentive payments to third parties through assignment by customers.

Staff further recommends that SSVEC be ordered to file a tariff in compliance with the Decision in this case within 15 days of the effective date of that Decision.

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Introduction

On July 23, 2010, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "the Cooperative") filed an application with the Arizona Corporation Commission ("Commission") seeking approval of its 2011 Renewable Energy Standard and Tariff ("REST") Implementation Plan ("Application").

SSVEC is proposing several substantive changes to the characteristics of SSVEC's REST programs. SSVEC has provided one Submitted Option and four Alternative REST Funding options and corresponding budgets. SSVEC also submitted a fifth Alternative budget option designed with the goal of compliance with the 2011 REST goal of 3 percent renewables as required of investor-owned utilities. The Submitted Option increases the REST funding surcharge from the current \$0.007937 per kWh to \$0.00988 per kWh, a 24.5 percent increase, while keeping the residential cap at its current level (i.e. \$3.49 / month). Alternatives #1 through #4 test various combinations of increased surcharges or monthly residential caps. Alternative #5 is presented in response to Decision No. 71458 that required SSVEC to present a REST funding option that would bring the Cooperative's REST goals into alignment with those mandated of investor-owned utilities (i.e. 3 percent in 2011). The Submitted Option and alternative funding options are analyzed and discussed in more detail in the "Staff Review of the SSVEC REST Plan" section of this Staff Report.

SSVEC REST Plan History

SSVEC is required to prepare annual REST implementation plans as required under Arizona Administrative Code R14-2-1814. SSVEC's plan was first implemented in 2005 under the Environmental Portfolio Standard rules. SSVEC modified the plan to comply with the REST requirements approved by the Commission in 2006. From 2005 until the first quarter of 2009, SSVEC collected more in REST tariff monies than was paid out in rebates. In fact, when the 2009 REST plan was submitted and subsequently approved by the Commission, SSVEC had a carryover from 2008 of \$1,209,296. In the first quarter of 2009, SSVEC experienced a sharp increase in the number of rebates being requested, as well as the size of the renewable energy systems. SSVEC attributes this increase to changes in Federal and State tax codes that made installation of renewable energy systems a much more attractive proposition than it had been. In addition, solar installation firms began aggressively selling the new tax-related incentives.

A review of the renewable energy system installation history confirms the magnitude of the 2009 spike in rebate activity. From 2005 through 2008, a total of 191 renewable energy systems were installed with a total capacity of 321.9 kW. In 2009, an additional 298 systems were installed with a total additional capacity of 1,769 kW. In 2010, 154 systems have been installed with an additional capacity of 578 kW.

In July 2009, SSVEC implemented a reservation program for renewable rebates in an effort to manage the rapidly increasing number of rebate requests. Also in July 2009, SSVEC submitted its proposed 2010 REST plan to the Commission for approval. The 2010 REST plan

significantly increased the tariff amount collected to support the program (an increase of approximately \$1,600,000 or 200 percent) and reduced the rebate amounts. A surge in rebate requests to receive the older, more lucrative rebate amounts led to an over-subscription situation that forced many members on a waiting list for receipt of their rebates.

To communicate the status of rebates, SSVEC now posts on the Cooperative's website status reports of renewable energy activity, including number of systems installed awaiting rebates and number of systems reserved but not installed. The rebate status is also available on the "Arizona Goes Solar" website, as required under Decision No. 71458. At the end of 2010, there were 85 systems installed and awaiting rebates with a total incentive value of \$749,426. In addition, there were 317 systems with rebate reservations totaling \$7,183,275. SSVEC's approach to ameliorate the rebate backlog, and Staff's recommendations, are discussed in the "Staff Analysis and Comments" section of this report.

The REST rules allow electric cooperatives to submit a plan as a substitute for the Annual Renewable Energy goals mandated for investor-owned utilities ("IOUs"). Decision No. 70701 ordered SSVEC to propose renewable energy goals, and Decision No. 71458 approved 1.30 percent of energy sales as the goal for 2010. In its 2011 REST Implementation Plan, SSVEC has proposed a renewable energy goal for 2010 of 1.25 percent of energy sales, and 1.5 percent for 2011. Decision No. 71458 required SSVEC to submit a REST budget option that would bring SSVEC's renewable energy goal in-line with the higher IOU requirement of 3.0 percent of sales. SSVEC has provided that budget option as SSVEC Alternative #5 in Table IV of this report.

Details of the SSVEC REST Plan

The SSVEC 2011 REST Plan consists of 13 programs, collectively called "Sun Watts". Details of the programs are discussed below.

The Sun Watts Green Contribution Program

This program allows customers to elect to contribute additional dollars on their bills to be used to fund various renewable energy programs. SSVEC does not propose changes to this program in the 2011 Plan.

The Sun Watts Residential Incentive Program

With the current filing, SSVEC has revised the name of its residential program from "The Sun Watts Residential Rebate and Performance Based Incentives Program" to "The Sun Watts Residential Incentive Program."

Previously this program paid a One Time Incentive of \$3.00 per installed Watt, up to 50 percent of the total cost of a photovoltaic or wind system with a system size maximum of 10 kW. SSVEC now proposes to pay \$2.00 per installed Watt of a photovoltaic system, up to 40 percent

of the installed cost. A separate program has been established for wind power systems. The Plan states that residential customers may elect as an alternative a Performance Based Incentive ("PBI") and receive up to 50 percent of the installed cost.

SSVEC's application presents a new PBI schedule differentiating between Grid-Connected, Off-Grid, and Leased systems.

SSVEC's proposed Residential Performance Based Incentives are presented below in Table I.

Table I
Residential PBI Incentives

	10-Yr REC Payment	15-Yr REC Payment	20-Yr REC Payment
Grid connected	\$0.182/kWh	\$0.168/kWh	\$0.162/kWh
Off-grid	\$0.109/kWh	\$0.101/kWh	\$0.065/kWh
Leased systems	Off-grid rate	Off-grid rate	Off-grid rate

For PV systems greater than 10 kW SSVEC will only pay a Production Based Incentive.

For off-grid direct current ("DC") systems (for water pumping only) under 1,500 Watts, SSVEC will pay the PBI only and system production will be calculated rather than metered. The calculation will assume 6 hours of production per day for fixed arrays and 8 hours per day for tracking arrays. For off-grid systems larger than 1,500 Watts, the customer must provide its own DC Watt-hour meter and the customer will be paid at the grid-connected PBI rate.

Staff recommends that SSVEC not be allowed to differentiate between owned and leased systems for the basis of determining eligible incentives.

Wind Power Systems

SSVEC proposes to eliminate all One Time Incentives for wind power systems. SSVEC will pay a Production Based Incentive for either Grid-Connected or Off-Grid systems at the rates shown in Table I. The PBI payments are capped at 50 percent of the system cost. The incentive offered for leased wind power systems is at the Off-Grid rate with a cap of 50 percent of total lease cost.

Sun Watts Commercial One Time and Performance Based Incentives

The Sun Watts Commercial One Time and Performance Based Incentives program offers options of either an upfront (One Time) or Performance Based Incentive. For PV systems equal to or less than 10 kW, One Time Incentives are \$1.25 per DC Watt for grid-connected systems.

Off-Grid PV systems are eligible for One Time Incentives of \$1.00 per kW, with a cap of 40% of system cost. Proposed Performance Based rates are as follows:

Table II
Commercial & Industrial PBI Incentives

Performance Based Incentive	10-Year REC and Payment Agreement (\$/kWh)	15-Year REC and Payment Agreement (\$/kWh)	20-Year REC and Payment Agreement (\$/kWh)
Grid Connected	0.182	0.168	0.162
Off-Grid	0.109	0.101	0.065

Customers with systems over 10 kW but less than or equal to 50 kW, or with a cost higher than \$50,000 will be paid by the Performance Based Incentive only, with a maximum total incentive payment of 50 percent of the system cost.

Customers with leased systems of less than 50 kW are eligible for only the Performance Based Incentive at the Off-Grid rate.

Customers with systems larger than 50 kW are not eligible for either One Time or Production Based Incentives.

The Clean Renewable Energy Bonds ("CREB") for Schools Program

SSVEC proposes no changes for this program. The repayment budget for the CREB bonds is \$1,045,000 per year.

The Sun Watts Large-Scale Generating Program

This program addresses acquisition of large-scale renewable energy facilities. The Energy Policy Act of 2005 provides for the issuance of CREB bonds to afford electric cooperatives and public power systems an opportunity to finance renewable generation projects. SSVEC reports that it has received a CREB bond allotment sufficient to install an approximate 750 kW - 1 MW photovoltaic solar power plant at the proposed Sonoita substation. Construction of this solar power plant is anticipated in mid- to late-2011, with completion required under terms of the CREB bonds by October 2012. SSVEC has filed an application for approval by the Commission of this funding, along with other construction-related debt, under Docket No. E-01575A-10-0311.

The Sun Watts Residential and Small Business Loan Program

SSVEC will continue to offer its 3 percent (interest rate) revolving loan program for residential and small business with a \$2.00 per Watt loan limit. The loan caps will remain at \$8,000 for residential and \$20,000 for small businesses and can be no more than 25 percent of the cost of the project. Loan amounts up to \$10,000 are repayable over five years, and loans in

the amount of \$10,001 or more are repayable over 10 years. These are secured loans, and liens are placed against the customer's property.

The Sun Watts Loan Program for Large (Over 20 kW) Systems

SSVEC will continue to offer a revolving loan program for large (over 20 kW) systems for both commercial and industrial customers. Under the program, these customers will be able to borrow \$1.00 per Watt up to \$75,000 or 25 percent of the cost of the project whichever is less. The interest rate on these loans is 3 percent. Payments would be monthly and payable over a 60, 90, or 120 month period. These are secured loans, and liens are placed against the property. Payments and interest from this loan program are remitted back to the REST fund.

Solar Water Heater Program

SSVEC proposes to pay a rebate equal to \$0.75 per kWh of estimated energy saved during the system's first year of operation. This proposed rate is \$0.05 per kWh less than the approved 2010 rate. Solar water heating systems are eligible for the Sun Watts loan program up to a maximum of 25 percent of the system cost. Both residential and commercial water heater systems are eligible. Solar swimming pool heating systems are not eligible. Only systems with an OG-300 rating from the Solar Rating and Certificate Corporation are eligible for either the rebate or loan programs.

UCPP Approved Technologies

SSVEC states that it will use the incentive, specifications, and criteria developed by the Uniform Credit Purchase Program ("UCPP") Working Group as the basis for Performance Based Incentives. Staff believes that any incentive rates, specifications, and criteria used within the REST Implementation plan must be approved by the Commission. Should the UCPP Working Group develop prescriptions or incentives, specifications or other criteria that SSVEC would like to adopt within its REST implementation working plan, SSVEC should include proposals for such changes in the next REST Implementation plan application.

SSVEC has included revised incentives for solar day lighting, geothermal, biogas/biomass, and solar space cooling. Incentive amounts have been reduced slightly from the values approved in SSVEC's 2010 REST Implementation Plan. The 2011 revised incentive levels, with 2010 values for comparison, are as follows in Table III:

Table III
Proposed and Approved Incentives for UCPP Approved Technologies

Technology	Proposed 2011 UFI	Proposed 2011 PBI	Approved 2010 Incentives
Solar Day Lighting	\$0.18 per kWh for measured and verified first year savings		\$0.20 per kWh for anticipated first year savings
Geothermal			
Electric		\$0.022 per kWh over 10 years	\$0.024 per kWh over 10 years
Thermal		\$0.044 per kWh over 10 years	\$0.048 per kWh over 10 years
Biogas/Biomass			
Electric		\$0.054 per kWh over 10 years	\$0.060 per kWh over 10 years
Thermal		\$0.014 per kWh over 10 years	\$0.015 per kWh over 10 years
Cooling		\$0.029 per kWh over 10 years	\$0.032 per kWh over 10 years
CHP-Electric		\$0.032 per kWh over 10 years	\$0.035 per kWh over 10 years
CHP-Thermal		\$0.016 per kWh over 10 years	\$0.018 per kWh over 10 years
Solar Space Cooling		\$0.116 per kWh over 10 years	\$0.129 per kWh over 10 years

In the application, SSVEC notes that incentives for Solar Day Lighting will now be paid at the end of a 12-month measurement and verification period. Performance Based Incentives are capped at 45 percent of total project cost.

Additional Program Incentives and Grants

SSVEC proposes to continue the Habitat for Humanity Program ("Habitat"). SSVEC contributes up to \$15,000 to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes. Up to two of these projects will be undertaken each year at a cost not to exceed the costs identified in the 2011 REST budget (i.e. \$15,000). If Habitat does not have a suitable project, these funds will be used to pay residential incentives. SSVEC notes that it will also assist in finding local renewable energy equipment dealers who are willing to donate products and services to the Habitat cause.

SSVEC will provide a \$1,200 builder advertising incentive for builders who install renewable technologies on their model homes, a reduction from \$1,500 under SSVEC's approved 2010 Plan.

SSVEC proposes to continue to fund a grant program for teachers in its service territory for the development of renewable energy curricula for the classroom. SSVEC's budget allows up to ten teachers to each receive a \$500 grant per year.

Calculation of the 125% Capacity to Determine Incentives

SSVEC is proposing a 125 percent capacity size limit for customer systems to qualify for incentives. The proposed size limit would apply to residential systems over 10 kW and all commercial and industrial systems (residential systems of 10 kW or less are granted incentives with no calculation of customer capacity). SSVEC's goal is to have homes and businesses become "net zero" facilities where the customers produce all their own kWh needs for the year.

The proposed size limit for incentives would be similar to the size limit for net metering (125 percent of the customer's connected load), but would be calculated differently. SSVEC's proposed method of calculating the size limit for incentives for PV solar systems utilizes the highest 12-month customer kWh consumption data for the past 3 years, then divides that amount by 2,000 (assumes 5.5 hours of solar production per day) to determine the customer's "net-zero" quantity. This figure would then be multiplied by 125 percent to obtain the 125 percent sizing factor. A 30 percent production factor would be used for wind systems. SSVEC believes this method will allow customers a more accurate means to calculate the optimum solar power system size to produce a "net zero" electric consumption pattern. Proposed systems that are larger than the calculated 125 percent capacity would not be eligible for any incentives.

Under SSVEC's Commission-approved net metering tariff, the 125 percent capacity is determined by using 125 percent of the highest demand in the most current 12-month period for customers with a demand history. In the absence of demand data (for residential and small commercial customers), the highest 12 months (calendar year) kWh consumption in the previous three years is divided by 2,190 to determine the customer's "net zero" quantity. This figure is multiplied by 125 percent to obtain the 125 percent sizing factor for all generating technologies eligible for net metering.

Staff believes that the 125 percent calculation method contained in SSVEC's net metering tariff provides clear direction on how to determine the maximum capacity of renewable energy systems. Staff recommends that a 125 percent size limit be used for eligibility for incentives, but that the methodology used for net metering eligibility be used for incentive eligibility.

Third Party Assignments of Incentives

SSVEC is proposing to allow customers to assign their incentives to a third party. The customer would be required to sign a "third party release form" and notify the Cooperative when the job is completed to the customer's satisfaction. Payment would then be made to the third party based on the customer's position on the reservation list. Staff believes this is a common

and reasonable practice that has been widely adopted to promote the installation of renewable energy systems by third party installers.

Staff Analysis

Compliance with 2010 Rest Plan Approval Orders

SSVEC's REST Plan goal for 2010 was to obtain 1.3 percent of its energy sales from renewable sources. As of December 2010, SSVEC has estimated that it obtained approximately 1.1 percent of its energy sales from renewable sources.

The February 15th date for filing of the Annual Compliance Reports was moved to March 1st as a scheduling convenience for the Cooperative. SSVEV filed its Annual Report for 2009 on March 15, 2010.

The Commission has not approved a Uniform Credit Purchase Program ("UCPP"). However, SSVEC has used the draft UCPP procedures and incentive levels as the basis for the instant application.

SSVEC has disclosed, on a quarterly basis via its website, its annual progress to date in meeting the annual REST requirement.

SSVEC is a participant in the new "Arizona Goes Solar" web site, and supplies the website with updated status on rebates and other incentives on a twice monthly basis.

Administration of the REST Plan

SSVEC states in the Application that it will not use more than 10 percent of total surcharge funds collected for administration, research and development, and advertising expenses. A review of the proposed 2011 budgets under the Submitted Option and Staff's Recommended Option indicates that SSVEC plans to devote approximately 6.8 percent and 5.2 percent of the Plan budget, respectively, towards administration and related expenses.

Funding and Surcharge Schedule

In the Cooperative's application, SSVEC provided one Submitted option and four Alternative REST Funding options and corresponding budgets. As required under Decision No. 71458, SSVEC submitted a fifth Alternative budget option designed with the goal of compliance with the 2011 REST goal of 3 percent renewables as required of investor-owned utilities. During the course of Staff's review of SSVEC's application, several additional funding scenarios were developed and reviewed. In addition, former Chairman Mayes issued a letter to SSVEC and

other electric utilities on October 21, 2010, requesting five additional funding options that would address pay-downs of rebate backlogs at varying rates. Ultimately, Staff considered a total of 16 funding options.

The Submitted option increases the REST funding surcharge from the current \$0.007937 per kWh to \$0.00988 per kWh, a 24.5 percent increase, while keeping the residential cap at its current level (i.e. \$3.49 per month). Alternative #5 is presented in response to Decision No. 71458 that required SSVEC to present a REST funding option that would bring the Cooperative's REST goals into alignment with those mandated of investor-owned utilities (i.e. 3 percent in 2011).

Staff is concerned that the SSVEC's Submitted Option would not yield adequate collections to significantly pay down the existing backlog of rebate reservations during 2011. Therefore, Staff recommends that the Commission approve the higher annual budget proposed in Alternate Funding Option #4 as submitted by SSVEC in its application. This Option will be referred to as "Staff's Recommended Option". Alternate Funding Option #5 is included in Table IV for reference purposes as the option was required under Decision No. 71458.

Table IV
REST Funding Options

		Submitted Option	Staff Recommended Option	SSVEC Alternative #5
	Current 2010 REST Surcharge & Caps	Surcharge raised from \$0.007937 to \$0.00988	Surcharge raised, but Caps also raised to reach the \$4.3 Million	Level needed to get to the IOU 3% Renewables
REST Surcharge	\$0.007937	\$ 0.009880	\$ 0.009880	\$ 0.039324
Residential Cap	\$ 3.49	\$ 3.49	\$ 5.66	\$ 25.00
General Service Cap	\$ 85.00	\$ 85.00	\$ 137.85	\$ 250.00
Irrigation Cap	\$ 50.00	\$ 50.00	\$ 81.09	\$ 200.00
Commercial & Ind Cap	\$ 200.00	\$ 200.00	\$ 324.36	\$ 400.00
3 MW +	\$ 300.00	\$ 300.00	\$ 486.53	\$ 1,500.00
Rest Collection	\$ 3,009,635	\$ 3,301,791	\$ 4,300,000	\$ 15,000,000
% Change		10%	43%	398%
Est. Backlog Paydown Date		February 2013	November 2012	June 2011
Percentage reaching cap				
Residential	66%	74.4%	51.5%	45.7%
General Service	1%	1.8%	0.4%	3.5%
Irrigation	58%	61.8%	53.3%	61.8%
Commercial & Ind	58%	45.0%	25.1%	70.3%
3 MW +	100%	100.0%	100.0%	100.0%
Average Charge				
Residential	\$ 2.98	\$ 3.11	\$ 4.47	\$ 19.00
General Service	\$ 8.95	\$ 10.86	\$ 11.35	\$ 40.95
Irrigation	\$ 35.19	\$ 36.50	\$ 54.29	\$ 145.88
Commercial & Ind	\$ 127.45	\$ 139.15	\$ 181.24	\$ 324.90
3 MW +	\$ 300.00	\$ 300.00	\$ 486.53	\$ 1,500.00
Collected by Rate Class				
Residential	\$ 1,392,948	\$ 1,454,465.26	\$ 2,092,838.97	\$ 8,891,872.73
General Service	\$ 792,876	\$ 961,729.27	\$ 1,005,472.74	\$ 3,626,655.19
Irrigation	\$ 229,632	\$ 237,628.49	\$ 355,244.22	\$ 949,834.27
Commercial & Ind	\$ 586,992	\$ 640,767.94	\$ 834,767.26	\$ 1,495,637.81
3 MW +	\$ 7,200	\$ 7,200.00	\$ 11,676.81	\$ 36,000.00
Total	\$ 3,009,648	\$ 3,301,790.96	\$ 4,300,000.00	\$ 15,000,000.00

The following information was provided to Staff by SSVEC and displays examples of sample SSVEC customers and the monthly impact customers can expect to see from the various Funding Options:

Table V
Customer Impact of REST Funding Options

Sample Customers	Average kWh	2010	2011			
			Submitted Option	Change	Staff's Rec. Option	Change
Average Residential Customer	800	\$ 3.49	\$ 3.49	0%	\$ 5.66	62%
Barber Shop	3,541	\$ 28.10	\$ 34.99	24%	\$ 34.99	24%
Department Store	161,760	\$ 200.00	\$ 200.00	0%	\$ 324.36	62%
Mall (less tenants)	61,872	\$ 200.00	\$ 200.00	0%	\$ 324.26	62%
Retail Video Store	12,843	\$ 85.00	\$ 85.00	0%	\$ 126.89	49%
Large Hotel	30,700	\$ 200.00	\$ 200.00	0%	\$ 303.32	52%
Large Building Supply and Hardware	157,707	\$ 200.00	\$ 200.00	0%	\$ 324.36	62%
Motel	30,227	\$ 200.00	\$ 200.00	0%	\$ 298.64	49%
Large Office Building	78,120	\$ 200.00	\$ 200.00	0%	\$ 324.36	62%
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Irrigation Customer	51,745	\$ 50.00	\$ 50.00	0%	\$ 81.09	62%

The following Table VI compares the Submitted Option and Staff Recommended Option budgets with the approved 2010 REST program:

Table VI
Comparison of Proposed 2011 Rest Budgets with Approved 2010 REST Budget

	Approved 2010 Program	Submitted Option	Staff's Rec. Option
Estimated Collections	\$ 3,009,635	\$ 3,301,791	\$ 4,300,000
Estimated Carry Over	\$ 10,000	\$ 10,000	\$ 10,000
Total Budget	\$ 3,019,635	\$ 3,311,791	\$ 4,310,000
Loan Program	\$ 200,000	\$ 200,000	\$ 200,000
Program Costs (Admin, Ads, etc)	\$ 200,000	\$ 225,000	\$ 225,000
Habitat Project	\$ 34,000	\$ 15,000	\$ 15,000
CREB Bonds for Schools	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000
Large Scale Renewables (CREBs) or PPA	\$ 650,000	\$ 650,000	\$ 650,000
SunWatts Residential Rebates	\$ 534,381	\$ 823,754	\$ 1,522,500
SunWatts Commercial Rebates	\$ 356,254	\$ 353,037	\$ 652,500
Total Budget	\$ 3,019,635	\$ 3,311,791	\$ 4,310,000

Recommendations

Staff recommends approval of SSVEC's 2011 REST Implementation Plan utilizing Staff's Recommended Option.

Staff further recommends approval of the One Time Incentives and Production Based Incentives as presented in the Plan, except that SSVEC should not be allowed to differentiate between leased and owned systems as the basis for determining eligible incentives.

Staff further recommends that a 125 percent size limit be used for eligibility for incentives, but that the methodology used to calculate the 125 percent capacity for net metering eligibility be used for incentive eligibility.

Staff further recommends that SSVEC be allowed to make incentive payments to third parties through assignment by customers.

Staff further recommends that SSVEC be ordered to file a tariff in compliance with the Decision in this case within 15 days of the effective date of that Decision.

Draft Order

An Intervenor in this Docket has filed a motion for a Formal Evidentiary Hearing on this matter. Staff does not believe a Formal Evidentiary Hearing is necessary; therefore, a draft Recommended Opinion and Order reflecting the findings of this Staff Report is attached for the consideration and convenience of the Administrative Law Judge.

Sulphur Springs Valley Electric Cooperative, Inc.

Docket No. E-01575A-10-0308

Page 13

ATTACHMENT A

DRAFT RECOMMENDED OPINION AND ORDER

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE

Chairman

3 BOB STUMP

Commissioner

4 SANDRA D. KENNEDY

Commissioner

5 PAUL NEWMAN

Commissioner

6 BRENDA BURNS

Commissioner

7
8 IN THE MATTER OF SULPHUR SPRINGS }
9 VALLEY ELECTRIC COOPERATIVE, }
10 INC.'S APPLICATION FOR APPROVAL OF }
11 ITS 2011 REST PLAN AND TARIFF }

DOCKET NO. E-01575A-10-0308

DECISION NO. _____

ORDER

12 Open Meeting
13 March 29 and 30, 2011
14 Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "the Cooperative")
17 is certificated to provide electric service as a public service corporation in the State of Arizona.

18 2. On July 23, 2010, SSVEC filed an application with the Arizona Corporation
19 Commission ("Commission") seeking approval of its 2011 Renewable Energy Standard and Tariff
20 ("REST") Implementation Plan ("Application").

21 3. SSVEC is proposing several substantive changes to the characteristics of SSVEC's
22 REST programs. SSVEC has provided one Submitted Option and four Alternative REST Funding
23 options and corresponding budgets. SSVEC also submitted a fifth Alternative budget option
24 designed with the goal of compliance with the 2011 REST goal of 3 percent renewables as
25 required of investor-owned utilities. The Submitted Option increases the REST funding surcharge
26 from the current \$0.007937 per kWh to \$0.00988 per kWh, a 24.5 percent increase, while
27 keeping the residential cap at its current level (i.e. \$3.49 / month). Alternatives #1 through #4 test
28 various combinations of increased surcharges or monthly residential caps. Alternative #5 is

1 presented in response to Decision No. 71458 that required SSVEC to present a REST funding
2 option that would bring the Cooperative's REST goals into alignment with those mandated of
3 investor-owned utilities (i.e. 3 percent in 2011). The Submitted Option and alternative funding
4 options are analyzed and discussed in more detail below.

5 4. SSVEC is required to prepare annual REST implementation plans as required under
6 Arizona Administrative Code R14-2-1814. SSVEC's plan was first implemented in 2005 under
7 the Environmental Portfolio Standard rules. SSVEC modified the plan to comply with the REST
8 requirements approved by the Commission in 2006. From 2005 until the first quarter of 2009,
9 SSVEC collected more in REST tariff monies than was paid out in rebates. In fact, when the 2009
10 REST plan was submitted and subsequently approved by the Commission, SSVEC had a carryover
11 from 2008 of \$1,209,296. In the first quarter of 2009, SSVEC experienced a sharp increase in the
12 number of rebates being requested, as well as the size of the renewable energy systems. SSVEC
13 attributes this increase to changes in Federal and State tax codes that made installation of
14 renewable energy systems a much more attractive proposition than it had been. In addition, solar
15 installation firms began aggressively selling the new tax-related incentives.

16 5. A review of the renewable energy system installation history confirms the
17 magnitude of the 2009 spike in rebate activity. From 2005 through 2008, a total of 191 renewable
18 energy systems were installed with a total capacity of 321.9 kW. In 2009, an additional 298
19 systems were installed with a total additional capacity of 1,769 kW. In 2010, 154 systems have
20 been installed with an additional capacity of 578 kW.

21 6. In July 2009, SSVEC implemented a reservation program for renewable rebates in
22 an effort to manage the rapidly increasing number of rebate requests. Also in July 2009, SSVEC
23 submitted its proposed 2010 REST plan to the Commission for approval. The 2010 REST plan
24 significantly increased the tariff amount collected to support the program (an increase of
25 approximately \$1,600,000 or 200 percent) and reduced the rebate amounts. A surge in rebate
26 requests to receive the older, more lucrative rebate amounts led to an over-subscription situation
27 that forced many members on a waiting list for receipt of their rebates.

28 ...

7. To communicate the status of rebates, SSVEC now posts on the Cooperative's website status reports of renewable energy activity, including number of systems installed awaiting rebates and number of systems reserved but not installed. The rebate status is also available on the "Arizona Goes Solar" website, as required under Decision No. 71458. At the end of 2010, there were 85 systems installed and awaiting rebates with a total incentive value of \$749,426. In addition, there were 317 systems with rebate reservations totaling \$7,183,275.

8. The REST rules allow electric cooperatives to submit a plan as a substitute for the Annual Renewable Energy goals mandated for investor-owned utilities ("IOUs"). Decision No. 70701 ordered SSVEC to propose renewable energy goals, and Decision No. 71458 approved 1.30 percent of energy sales as the goal for 2010. In its 2011 REST Implementation Plan, SSVEC has proposed a renewable energy goal for 2010 of 1.25 percent of energy sales, and 1.5 percent for 2011. Decision No. 71458 required SSVEC to submit a REST budget option that would bring SSVEC's renewable energy goal in-line with the higher IOU requirement of 3.0 percent of sales. SSVEC has provided that budget option as SSVEC Alternative #5 in Table IV of this Order.

Details of the SSVEC REST Plan

9. Details of the SSVEC 2011 REST Plan are discussed below.

The Sun Watts Green Contribution Program

10. This program allows customers to elect to contribute additional dollars on their bills to be used to fund various renewable energy programs. SSVEC does not propose changes to this program in the 2011 Plan.

The Sun Watts Residential Incentive Program

11. With the current filing, SSVEC has revised the name of its residential program from "The Sun Watts Residential Rebate and Performance Based Incentives Program" to "The Sun Watts Residential Incentive Program."

12. Previously this program paid a One Time Incentive of \$3.00 per installed Watt, up to 50 percent of the total cost of a photovoltaic or wind system with a system size maximum of 10 kW. SSVEC now proposes to pay \$2.00 per installed Watt of a photovoltaic system, up to 40 percent of the installed cost. A separate program has been established for wind power systems.

The Plan states that residential customers may elect as an alternative a Performance Based Incentive ("PBI") and receive up to 50 percent of the installed cost.

13. SSVEC's application presents a new PBI schedule that differentiates between Grid-Connected, Off-Grid, and Leased systems. Staff has recommended that SSVEC not be allowed to differentiate between owned and leased systems for the basis of determining eligible incentives.

14. SSVEC's proposed Residential Performance Based Incentives are presented below in Table I.

Table I Residential PBI Incentives			
	10-Yr REC Payment	15-Yr REC Payment	20-Yr REC Payment
Grid connected	\$0.182/kWh	\$0.168/kWh	\$0.162/kWh
Off-grid	\$0.109/kWh	\$0.101/kWh	\$0.065/kWh
Leased systems	Off-grid rate	Off-grid rate	Off-grid rate

15. For PV systems greater than 10 kW, SSVEC will only pay a Production Based Incentive; no One Time Incentive is offered for these larger systems.

16. For off-grid direct current ("DC") systems (for water pumping only) under 1,500 Watts, SSVEC will pay the PBI only and system production will be calculated rather than metered. The calculation will assume 6 hours of production per day for fixed arrays and 8 hours per day for tracking arrays. For off-grid systems larger than 1,500 Watts, the customer must provide its own DC Watt-hour meter and the customer will be paid at the grid-connected PBI rate.

Wind Power Systems

17. SSVEC proposes to eliminate all One Time Incentives for wind power systems. SSVEC will pay a Production Based Incentive for either Grid-Connected or Off-Grid systems at the rates shown in Table I. The PBI payments are capped at 50 percent of the system cost. The incentive offered for leased wind power systems is at the Off-Grid rate with a cap of 50 percent of total lease cost.

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Sun Watts Commercial One Time and Performance Based Incentives

18. The Sun Watts Commercial One Time and Performance Based Incentives program offers options of either an upfront (One Time) or Performance Based Incentive. For PV systems equal to or less than 10 kW, One Time Incentives are \$1.25 per DC Watt for grid-connected systems. Off-Grid PV systems are eligible for One Time Incentives of \$1.00 per kW, with a cap of 40 percent of system cost. Proposed Performance Based rates are as follows:

Table II
Commercial & Industrial PBI Incentives

Performance Based Incentive	10-Year REC and Payment Agreement (\$/kWh)	15-Year REC and Payment Agreement (\$/kWh)	20-Year REC and Payment Agreement (\$/kWh)
Grid Connected	0.182	0.168	0.162
Off-Grid	0.109	0.101	0.065

19. Customers with systems over 10 kW but less than or equal to 50 kW, or with a cost higher than \$50,000 will be paid by the Performance Based Incentive only, with a maximum total incentive payment of 50 percent of the system cost.

20. Customers with leased systems of less than 50 kW are eligible for only the Performance Based Incentive at the Off-Grid rate.

21. Customers with systems larger than 50 kW are not eligible for either One Time or Production Based Incentives.

The Clean Renewable Energy Bonds ("CREB") for Schools Program

22. SSVEC proposes no changes for this program. The repayment budget for the CREB bonds is \$1,045,000 per year.

The Sun Watts Large-Scale Generating Program

23. This program addresses acquisition of large-scale renewable energy facilities. The Energy Policy Act of 2005 provides for the issuance of CREB bonds to afford electric cooperatives and public power systems an opportunity to finance renewable generation projects. SSVEC reports that it has received a CREB bond allotment sufficient to install an approximate 750 kW - 1 MW photovoltaic solar power plant at the proposed Sonoita substation. Construction of

1 this solar power plant is anticipated in mid- to late-2011, with completion required under terms of
2 the CREB bonds by October 2012. SSVEC has filed an application for approval by the
3 Commission of this funding, along with other construction-related debt, under Docket
4 No. E-01575A-10-0311.

5 The Sun Watts Residential and Small Business Loan Program

6 24. SSVEC will continue to offer its 3 percent (interest rate) revolving loan program for
7 residential and small business with a \$2.00 per Watt loan limit. The loan caps will remain at
8 \$8,000 for residential and \$20,000 for small businesses and can be no more than 25 percent of the
9 cost of the project. Loan amounts up to \$10,000 are repayable over five years, and loans in the
10 amount of \$10,001 or more are repayable over 10 years. These are secured loans, and liens are
11 placed against the customer's property.

12 The Sun Watts Loan Program for Large (Over 20 kW) Systems

13 25. SSVEC will continue to offer a revolving loan program for large (over 20 kW)
14 systems for both commercial and industrial customers. Under the program, these customers will
15 be able to borrow \$1.00 per Watt up to \$75,000 or 25 percent of the cost of the project whichever
16 is less. The interest rate on these loans is 3 percent. Payments would be monthly and payable over
17 a 60, 90, or 120 month period. These are secured loans, and liens are placed against the property.
18 Payments and interest from this loan program are remitted back to the REST fund.

19 Solar Water Heater Program

20 26. SSVEC proposes to pay a rebate equal to \$0.75 per kWh of estimated energy saved
21 during the system's first year of operation. This proposed rate is \$0.05 per kWh less than the
22 approved 2010 rate. Solar water heating systems are eligible for the Sun Watts loan program up to
23 a maximum of 25 percent of the system cost. Both residential and commercial water heater
24 systems are eligible. Solar swimming pool heating systems are not eligible. Only systems with an
25 OG-300 rating from the Solar Rating and Certificate Corporation are eligible for either the rebate
26 or loan programs.

27 ...

28 ...

UCPP Approved Technologies

27. SSVEC states that it will use the incentive, specifications, and criteria developed by the Uniform Credit Purchase Program ("UCPP") Working Group as the basis for Performance Based Incentives. Staff believes that any incentive rates, specifications, and criteria used within the REST Implementation plan must be approved by the Commission. Should the UCPP Working Group develop prescriptions or incentives, specifications or other criteria that SSVEC would like to adopt within its REST Implementation plan, SSVEC should include proposals for such changes in the next REST Implementation plan application.

28. SSVEC has included revised incentives for solar day lighting, geothermal, biogas/biomass, and solar space cooling. Incentive amounts have been reduced slightly from the values approved in SSVEC's 2010 REST Implementation Plan. The 2011 revised incentive levels, with 2010 values for comparison, is as follows in Table III:

Table III
Proposed and Approved Incentives for UCPP Approved Technologies

Technology	Proposed 2011 UFI	Proposed 2011 PBI	Approved 2010 Incentives
Solar Day Lighting	\$0.18 per kWh for measured and verified first year savings		\$0.20 per kWh for anticipated first year savings
Geothermal			
Electric		\$0.022 per kWh over 10 years	\$0.024 per kWh over 10 years
Thermal		\$0.044 per kWh over 10 years	\$0.048 per kWh over 10 years
Biogas/Biomass			
Electric		\$0.054 per kWh over 10 years	\$0.060 per kWh over 10 years
Thermal		\$0.014 per kWh over 10 years	\$0.015 per kWh over 10 years
Cooling		\$0.029 per kWh over 10 years	\$0.032 per kWh over 10 years
CHP-Electric		\$0.032 per kWh over 10 years	\$0.035 per kWh over 10 years
CHP-Thermal		\$0.016 per kWh over 10 years	\$0.018 per kWh over 10 years
Solar Space Cooling		\$0.116 per kWh over 10 years	\$0.129 per kWh over 10 years

29. In the application, SSVEC notes that incentives for Solar Day Lighting will now be paid at the end of a 12-month measurement and verification period. Performance Based Incentives are capped at 45 percent of total project cost.

1 Additional Program Incentives and Grants

2 30. SSVEC proposes to continue the Habitat for Humanity Program ("Habitat").
3 SSVEC contributes up to \$15,000 to the Habitat organization for the purchase of photovoltaic and
4 other renewable energy equipment to be installed on Habitat homes. Up to two of these projects
5 will be undertaken each year at a cost not to exceed the costs identified in the 2011 REST budget
6 (i.e. \$15,000). If Habitat does not have a suitable project, these funds will be used to pay
7 residential incentives. SSVEC notes that it will also assist in finding local renewable energy
8 equipment dealers who are willing to donate products and services to the Habitat cause.

9 31. SSVEC will provide a \$1,200 builder advertising incentive for builders who install
10 renewable technologies on their model homes, a reduction from \$1,500 under SSVEC's approved
11 2010 Plan.

12 32. SSVEC proposes to continue to fund a grant program for teachers in its service
13 territory for the development of renewable energy curricula for the classroom. SSVEC's budget
14 allows up to ten teachers to each receive a \$500 grant per year.

15 Calculation of the 125 Percent Capacity to Determine Incentives

16 33. SSVEC is proposing a 125 percent capacity size limit for customer systems to
17 qualify for incentives. The proposed size limit would apply to residential systems over 10 kW and
18 all commercial and industrial systems (residential systems of 10 kW or less are granted incentives
19 with no calculation of customer capacity). SSVEC's goal is to have homes and businesses become
20 "net zero" facilities where the customers produce all their own kWh needs for the year.

21 34. The proposed size limit for incentives would be similar to the size limit for net
22 metering (125 percent of the customer's connected load), but it would be calculated differently.
23 SSVEC's proposed method of calculating the size limit for incentives for PV solar systems utilizes
24 the highest 12-month customer kWh consumption data for the past 3 years, then divides that
25 amount by 2,000 (assumes 5.5 hours of solar production per day) to determine the customer's "net-
26 zero" quantity. This figure would then be multiplied by 125 percent to obtain the 125 percent
27 sizing factor. A 30 percent production factor would be used for wind systems. SSVEC believes
28 this method will allow customers a more accurate means to calculate the optimum solar power

1 system size to produce a "net zero" electric consumption pattern. Proposed systems that are larger
2 than the calculated 125 percent capacity would not be eligible for any incentives.

3 35. Under SSVEC's Commission-approved net metering tariff, the 125 percent capacity
4 is determined by using 125 percent of the highest demand in the most current 12-month period for
5 customers with a demand history. In the absence of demand data (for residential and small
6 commercial customers), the highest 12 months (calendar year) kWh consumption in the previous
7 three years is divided by 2,190 to determine the customer's "net zero" quantity. This figure is
8 multiplied by 125 percent to obtain the 125 percent sizing factor for all generating technologies
9 eligible for net metering.

10 36. Staff believes that the 125 percent calculation method contained in SSVEC's net
11 metering tariff provides clear direction on how to determine the maximum capacity of renewable
12 energy systems. Staff has recommended that a 125 percent size limit be used for eligibility for
13 incentives, but that the methodology used for net metering eligibility be used for incentive
14 eligibility.

15 Third Party Assignments of Incentives

16 37. SSVEC is proposing to allow customers to assign their incentives to a third party.
17 The customer would be required to sign a "third party release form" and notify the Cooperative
18 when the job is completed to the customer's satisfaction. Payment would then be made to the third
19 party based on the customer's position on the reservation list. Staff believes this is a common and
20 reasonable practice that has been widely adopted to promote the installation of renewable energy
21 systems by third party installers.

22 Staff Analysis

23 Compliance with 2010 Rest Plan Approval Orders

24 38. SSVEC's REST Plan goal for 2010 was to obtain 1.3 percent of its energy sales
25 from renewable sources. As of December 2010, SSVEC has estimated that it obtained
26 approximately 1.1 percent of its energy sales from renewable sources.

27 ...

28 ...

1 39. The February 15th date for filing of the Annual Compliance Reports was moved to
2 March 1st as a scheduling convenience for the Cooperative. SSVEV filed its Annual Report for
3 2009 on March 15, 2010.

4 40. The Commission has not approved a Uniform Credit Purchase Program ("UCPP").
5 However, SSVEC has used the draft UCPP procedures and incentive levels as the basis for the
6 instant application.

7 41. SSVEC has disclosed, on a quarterly basis via its website, its annual progress to
8 date in meeting the annual REST requirement.

9 42. SSVEC is a participant in the new "Arizona Goes Solar" web site, and supplies the
10 website with updated status on rebates and other incentives on a twice monthly basis.

11 Administration of the REST Plan

12 43. SSVEC states in the Application that it will not use more than 10 percent of total
13 surcharge funds collected for administration, research and development, and advertising expenses.
14 A review of the proposed 2011 budgets under the Submitted Option and Staff's Recommended
15 Option indicates that SSVEC plans to devote approximately 6.8 percent and 5.2 percent of the Plan
16 budget, respectively, towards administration and related expenses.

17 Funding and Surcharge Schedule

18 44. In the Cooperative's application, SSVEC provided one Submitted option and four
19 Alternative REST Funding options and corresponding budgets. As required under Decision No.
20 71458, SSVEC submitted a fifth Alternative budget option designed with the goal of compliance
21 with the 2011 REST goal of 3 percent renewables as required of investor-owned utilities. During
22 the course of Staff's review of SSVEC's application, several additional funding scenarios were
23 developed and reviewed. In addition, former Chairman Mayes issued a letter to SSVEC and other
24 electric utilities on October 21, 2010, requesting five additional funding options that would address
25 pay-downs of rebate backlogs at varying rates. Ultimately, Staff considered a total of 16 funding
26 options.

27 45. The Submitted option increases the REST funding surcharge from the current
28 \$0.007937 per kWh to \$0.00988 per kWh, a 24.5 percent increase, while keeping the residential

cap at its current level (i.e. \$3.49 per month). Alternative #5 is presented in response to Decision No. 71458 that required SSVEC to present a REST funding option that would bring the Cooperative's REST goals into alignment with those mandated of investor-owned utilities (i.e. 3 percent in 2011).

46. Staff is concerned that the SSVEC's Submitted Option would not yield adequate collections to significantly pay down the existing backlog of rebate reservations during 2011. Therefore, Staff recommends that the Commission approve the higher annual budget proposed in Alternate Funding Option #4 as submitted by SSVEC in its application. This Option will be referred to as "Staff's Recommended Option". Alternate Funding Option #5 is included in Table IV for reference purposes as the option was required under Decision No. 71458.

Table IV
REST Funding Options

	Current 2010 REST Surcharge & Caps	Submitted Option Surcharge raised from \$0.007937 to \$0.00988	Staff Recommended Option Surcharge raised, but Caps also raised to reach the \$4.3 Million	SSVEC Alternative #5 Level needed to get to the IOU 3% Renewables
REST Surcharge	\$0.007937	\$ 0.009880	\$ 0.009880	\$ 0.039324
Residential Cap	\$ 3.49	\$ 3.49	\$ 5.66	\$ 25.00
General Service Cap	\$ 85.00	\$ 85.00	\$ 137.85	\$ 250.00
Irrigation Cap	\$ 50.00	\$ 50.00	\$ 81.09	\$ 200.00
Commercial & Ind Cap	\$ 200.00	\$ 200.00	\$ 324.36	\$ 400.00
3 MW + Cap	\$ 300.00	\$ 300.00	\$ 486.53	\$ 1,500.00
Rest Collection	\$ 3,009,635	\$ 3,301,791	\$ 4,300,000	\$ 15,000,000
% Change		10%	43%	398%
Est. Backlog Paydown Date		February 2013	November 2012	June 2011
Percentage reaching cap				
Residential	66%	74.4%	51.5%	45.7%
General Service	1%	1.8%	0.4%	3.5%
Irrigation	58%	61.8%	53.3%	61.8%
Commercial & Ind	58%	45.0%	25.1%	70.3%
3 MW +	100%	100.0%	100.0%	100.0%

Average Charge				
Residential	\$ 2.98	\$ 3.11	\$ 4.47	\$ 19.00
General Service	\$ 8.95	\$ 10.86	\$ 11.35	\$ 40.95
Irrigation	\$ 35.19	\$ 36.50	\$ 54.29	\$ 145.88
Commercial & Ind	\$ 127.45	\$ 139.15	\$ 181.24	\$ 324.90
3 MW +	\$ 300.00	\$ 300.00	\$ 486.53	\$ 1,500.00
Collected by Rate Class				
Residential	\$ 1,392,948	\$ 1,454,465.26	\$ 2,092,838.97	\$8,891,872.73
General Service	\$ 792,876	\$ 961,729.27	\$ 1,005,472.74	\$3,626,655.19
Irrigation	\$ 229,632	\$ 237,628.49	\$ 355,244.22	\$ 949,834.27
Commercial & Ind	\$ 586,992	\$ 640,767.94	\$ 834,767.26	\$1,495,637.81
3 MW +	\$ 7,200	\$ 7,200.00	\$ 11,676.81	\$ 36,000.00
Total	\$ 3,009,648	\$ 3,301,790.96	\$ 4,300,000.00	\$15,000,000.00

47. The following information was provided to Staff by SSVEC and displays examples of sample SSVEC customers and the monthly impact customers can expect to see from the various Funding Options:

Table V
Customer Impact of REST Funding Options

Sample Customers	Average kWh	2010	2011			
			Submitted Option	Change	Staff's Rec. Option	Change
Average Residential Customer	800	\$ 3.49	\$ 3.49	0%	\$ 5.66	62%
Barber Shop	3,541	\$28.10	\$ 34.99	24%	\$ 34.99	24%
Department Store	161,760	\$200.00	\$ 200.00	0%	\$ 324.36	62%
Mall (less tenants)	61,872	\$200.00	\$ 200.00	0%	\$ 324.26	62%
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48. The following Table VI compares the Submitted Option and Staff Recommended Option budgets with the approved 2010 REST program:

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SunWatts Commercial Rebates	\$356,254	\$353,037	\$652,500
Total Budget	\$3,019,635	\$3,311,791	\$4,310,000

Recommendations

49. Staff has recommended approval of SSVEC's 2011 REST Implementation Plan utilizing Staff's Recommended Option.

50. Staff has further recommended approval of the One Time Incentives and Production Based Incentives as presented in the Plan, except that SSVEC should not be allowed to differentiate between leased and owned systems as the basis for determining eligible incentives.

51. Staff has further recommended that a 125 percent size limit be used for eligibility for incentives, but that the methodology used to calculate the 125 percent capacity for net metering eligibility be used for incentive eligibility.

52. Staff has further recommended that SSVEC be allowed to make incentive payments to third parties through assignment by customers.

53. Staff has further recommended that SSVEC be ordered to file a tariff in compliance with the Decision in this case within 15 days of the effective date of that Decision.

CONCLUSIONS OF LAW

1. Sulphur Springs Valley Electric Cooperative is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Sulphur Springs Valley Electric Cooperative and over the subject matter of the application.

...

1 3. The Commission, having reviewed the application and Staff's Memorandum dated
2 March 15, 2011, concludes that it is in the public interest to approve the Sulphur Springs Valley
3 Electric Cooperative's REST Implementation Plan for 2011, as discussed herein.

4 ORDER

5 IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.'s
6 2011 REST plan is approved utilizing Staff's Recommended Option, as discussed herein.

7 IT IS FURTHER ORDERED that the One Time Incentives and Production Based
8 Incentives are approved as presented in the Plan, except that Sulphur Springs Valley Electric
9 Cooperative, Inc. shall not differentiate between leased and owned systems as the basis for
10 determining eligible incentives.

11 IT IS FURTHER ORDERED that a 125 percent size limit shall be used for eligibility for
12 incentives, but that the methodology used to calculate the 125 percent capacity for net metering
13 eligibility shall be used for incentive eligibility.

14 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. is
15 authorized to make incentive payments to third parties through assignment by customers.

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1 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. shall
2 file a tariff in compliance with this Decision within 15 days of the effective date of this Decision.

3 IT IS FURTHER ORDERED that this Decision become effective immediately.

4
5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

6
7 _____
CHAIRMAN

COMMISSIONER

8
9
10 _____
COMMISSIONER

COMMISSIONER

COMMISSIONER

11
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto, set my hand and caused the official seal of
this Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2011.

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17 _____
ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

18
19 DISSENT: _____

20
21 DISSENT: _____

22 SMO:RBL:lh\WVC
23
24
25
26
27
28

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01575A-10-0308

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